

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

UNITED STATES OF AMERICA	:	CRIMINAL NO.: 05-
v.	:	DATE FILED: July 26, 2005
THEODORE H. LEBLANC	:	VIOLATIONS:
HERBERT H. BAGLEY	:	18 U.S.C. § 371 (conspiracy to commit
	:	honest services mail fraud and bribery –
	:	1 count)
	:	18 U.S.C. §§ 1341, 1346 (honest services
	:	mail fraud – 6 counts)
	:	18 U.S.C. §§ 666(a)(1)(B) and (b)
	:	(solicitation of a bribe in connection with
	:	a program receiving federal funds - 1
	:	count)
	:	18 U.S.C. §§ 666(a)(2) and (b) (bribery in
	:	connection with a program receiving
	:	federal funds - 1 count)
	:	18 U.S.C. § 1341 (mail fraud - 3 counts)
	:	18 U.S.C. § 1344 (bank fraud - 1 count)
	:	26 U.S.C. § 7206(1) (filing false federal
	:	income tax returns – 4 counts)
	:	18 U.S.C. § 2 (aiding and abetting)

INDICTMENT

COUNT ONE

**CONSPIRACY TO COMMIT HONEST SERVICES MAIL FRAUD AND BRIBERY IN
PROGRAMS RECEIVING FEDERAL FUNDS
18 U.S.C. § 371**

THE GRAND JURY CHARGES THAT:

INTRODUCTION

1. At all times relevant to this indictment:

a. The Borough of Norristown (“the Borough”) was a municipality organized pursuant to the laws of the Commonwealth of Pennsylvania. The Borough received in

excess of \$10,000 every calendar year under federal programs involving grants, contracts, subsidies, loans, guarantees, insurance, and other forms of federal assistance. Under state and local law, the Mayor was the elected chief executive officer of the Borough, and the Borough had an elected legislative body called the Borough Council. The Borough Solicitor was appointed by the Mayor and served as chief legal counsel for the Borough. The Borough Administrator was appointed by the Mayor and directed and supervised all Borough departments, including, among others, the Public Works and the Finance Departments. Collectively, the Mayor, the Solicitor, and the Borough Administrator were referred to as the Borough Administration.

b. Defendant THEODORE H. LEBLANC was the Borough Mayor, for which he was paid \$5,000 per year. As Mayor, defendant LEBLANC was responsible for the execution, administration, and enforcement of all Borough policies.

c. Under state and local law, the Borough and its citizens had a right to the honest services of their public officials and employees in the operation of Borough government. As such a public official, defendant LEBLANC owed the Borough and its citizens, under the Borough Home Rule Charter and general laws, and Pennsylvania and common law, a duty to: (a) refrain from the use of public office for private gain; (b) disclose conflicts of interest and other material information in matters over which he had authority and discretion that resulted in his direct or indirect personal gain; (c) refrain from holding financial interests that conflicted with the conscientious performance of his duties, or recuse himself from matters in which his financial interest may be affected; (d) refrain from soliciting or accepting any item of monetary value, including gifts and loans, with the intent to be influenced, from any person seeking official action from, doing business with, or whose interests may be affected by the performance or

nonperformance of his duties; (e) act impartially and not give preferential treatment to any private individual seeking to conduct or conducting business with the Borough; and (f) disclose waste, fraud, abuse, and corruption to appropriate authorities.

d. Included in the powers and duties of the Mayor, as described in the Borough Charter, was the power to appoint and remove the Borough Administrator and the Borough Solicitor, and to enforce the provisions of the Borough Charter. Among those Charter provisions were the authority to execute contracts on behalf of the Borough, and to serve as one of the dual signatories on all Borough checks in payment of these contracts and other obligations of the Borough. Under the Charter, the Mayor was required to disclose all financial interests he had with individuals proposing to contract with the Borough.

e. Defendant HERBERT H. BAGLEY was a partner of S.W., a person known to the grand jury, in Howard and Stuart Associates, Inc., which provided insurance services from an office in Paoli, Pennsylvania. Defendant BAGLEY also was the owner of Renaissance Financial Services Company (“Renaissance Financial”), an insurance services firm which operated from an office at 139 W. Main Street, Norristown, Pennsylvania. BAGLEY and S.W. provided insurance brokerage services to the Borough. Renaissance Financial maintained a bank account at Commerce Bank/Pennsylvania, N.A. (“Commerce Bank”).

2. As described in further detail below, in violation of his duty of providing honest services to the citizens of the Borough of Norristown and his duty to refrain from taking bribes, defendant LEBLANC solicited and accepted an illegal payment from an individual doing business with the Borough. Specifically, LEBLANC solicited and accepted a \$10,000 cash payment from defendant BAGLEY while BAGLEY was the Borough’s insurance broker. In

exchange for this illegal payment, LEBLANC retained BAGLEY as the Borough insurance broker.

3. During the Spring of 2002, defendant BAGLEY's partner, S.W., came under suspicion for stealing Borough insurance premiums. On or about September 13, 2002, S.W. was arrested by Montgomery County and Norristown law enforcement officers and charged with, among other offenses, theft by deception, receiving stolen property, forgery, and failure to make required disposition of funds. Part of the charges against S.W. alleged the theft and misapplication of more than \$700,000 of the Borough's insurance premiums.

4. After being informed of the arrest and of S.W.'s business association with defendant BAGLEY, members of Norristown Borough Council requested that the Borough Administration cause a lawsuit to be filed against S.W., BAGLEY, their business affiliates, and other involved parties, and that S.W. and BAGLEY be removed as the Borough's insurance brokers.

5. Concerned that he might lose the Borough as an insurance client, defendant BAGLEY dissolved his partnership with S.W. and entered into a business relationship with Dowd, Sanford, & Mazza, Inc. ("DSM"), a New York company which provided insurance brokerage services from an office at 5 Hanover Square, New York, New York.

6. During Fall 2002, defendant BAGLEY, acting as Renaissance Financial, continued to oversee the operation of the Borough's health insurance policies, which included a standard health insurance policy with Blue Cross, and life insurance, vision, and dental policies. BAGLEY routinely deposited the commissions he earned on these policies to the Renaissance Financial account at Commerce Bank. The contract on the health insurance policies was

renewed yearly each June.

7. In December 2002, defendant BAGLEY provided the Borough with a quotation of property and casualty insurance costs for calendar year 2003. The document, which was written on DSM letterhead, included premiums for property, worker's compensation, public officials, police professional, general liability, automobile, and umbrella insurance policies. The Borough contract on these property and casualty policies was renewed yearly each January. The Borough Administrator approved these quoted costs on or about December 12, 2002.

8. In approximately January 2003, defendant BAGLEY opened a bank account in the name of Dowd, Sanford, & Mazza, Inc. at the Whitpain Branch of Commerce Bank.

9. As of January 2003, defendant LEBLANC had borrowed approximately \$550,000 from Commerce Bank to purchase and renovate Morley's 21st Amendment Pub, 36 East Main Street, Norristown, Pennsylvania. As of that date, he had also borrowed approximately \$50,000 from J.C., a person known to the grand jury and a Norristown businessman, for renovations on the pub. Still short of the funds necessary to complete the renovations, LEBLANC in February 2003, borrowed an additional \$10,000 from J.C., and borrowed additional funds from family members and others. Morley's Pub opened for business on approximately February 23, 2003.

10. In February 2003, still in need of funds to complete the renovations of Morley's Pub, defendant LEBLANC solicited and received a \$10,000 cash payment from defendant BAGLEY, who intended the payment to influence LEBLANC to retain him as the Borough's insurance broker.

11. From in or about December 2002, through in or about July 2004, in the Eastern District of Pennsylvania and elsewhere, defendants

**THEODORE H. LEBLANC
and
HERBERT H. BAGLEY**

conspired and agreed, together and with others known and unknown to the grand jury, to commit offenses against the United States, that is, to knowingly: (a) devise a scheme to defraud the Borough of Norristown and its citizens of the right to defendant LEBLANC's honest services in the affairs of the Borough of Norristown, to obtain money and property by means of false and fraudulent pretenses, representations, and promises, and to use the United States mails and other interstate delivery services to further the scheme to defraud; (b) corruptly solicit, demand, accept and agree to accept an illegal \$10,000 payment intending to be influenced and rewarded in return for awarding in excess of \$5,000 in Borough business; and (c) corruptly give, offer, and agree to give an illegal \$10,000 payment with the intent to influence and reward the grant of in excess of \$5,000 in Borough business, in violation of Title 18, United States Code, Sections 1341, 1346 and 666(a)(1)(B), (a)(2) and (b).

MANNER AND MEANS

It was part of the conspiracy that:

12. During approximately February 2003, defendant LEBLANC, the individual ultimately responsible for the awarding of all Borough contracts, used his influence as Mayor to unlawfully solicit a \$10,000 payment from defendant BAGLEY, the Borough's insurance broker, whose lucrative insurance contracts with the Borough were vulnerable due to the recent arrest of his partner, S.W., who was accused of stealing Borough insurance premiums.

13. Defendant BAGLEY paid defendant LEBLANC \$10,000 in cash to insure his continued retention as insurance broker for the Borough.

14. In his capacity as Mayor, defendant LEBLANC failed to investigate the propriety of defendant BAGLEY's ongoing activities as insurance broker for the Borough. LEBLANC ratified BAGLEY's continued retention as the Borough's insurance broker, and permitted his signature to appear on Borough insurance payments which included fees and commissions paid to BAGLEY. In doing so, LEBLANC acted unlawfully and in direct violation of state law and Borough Charter Section 1002, which required elected officials to disclose financial interests with persons contracting with the Borough, and which required recusal of the elected official from the contracting process. In spite of the clear conflict of interest inherent in soliciting a payment from BAGLEY, LEBLANC neither disclosed the financial relationship, nor recused himself from the contracting process.

15. Instead, in violation of each aspect of his duties listed in paragraph 1(c) above, defendant LEBLANC's actions while serving as Mayor were unlawfully influenced by the payment he received from defendant BAGLEY, which payment LEBLANC also failed to disclose on the 2003 Statement of Financial Interests he filed with the Borough on approximately January 13, 2004, as required by state law.

16. As a result of making the cash payment to defendant LEBLANC and retaining his position as the Borough's insurance broker, defendant BAGLEY realized approximately \$212,539 in fees and commissions during 2003, and approximately \$199,113 in fees and commissions during 2004. The Borough of Norristown checks comprising part of these fees and commissions contained the stamped signature of LEBLANC and the Norristown

Borough Administrator.

17. As the Borough insurance broker, defendant BAGLEY fraudulently double-billed the Borough for a \$17,000 service fee during 2003 and 2004, and thereby stole approximately \$34,000 in Borough funds. In addition, BAGLEY collected approximately \$23,921 in surplus lines taxes from the Borough, but kept the funds for himself or paid portions over to another individual.

OVERT ACTS

In furtherance of the conspiracy, defendants LEBLANC and BAGLEY, and others known and unknown to the grand jury, committed the following overt acts in the Eastern District of Pennsylvania and elsewhere.

1. On or about December 12, 2002, defendant BAGLEY supplied the Borough with a quotation of property and casualty insurance costs for calendar year 2003. The document included premiums for property, worker's compensation, public officials, police professional, general liability, automobile, and umbrella policies. The document also included a \$17,000 service fee to DSM for overseeing the operation of the borough's worker's compensation insurance policy with S.W.I.F., the State Worker's Insurance Fund, and included a \$40,000 yearly consulting fee to DSM. The Norristown Borough Administrator approved the quoted costs and signed the document.

2. On or about January 6, 2003, defendants LEBLANC and BAGLEY caused three Borough of Norristown checks to be sent by Federal Express from Norristown, Pennsylvania, to Dowd, Sanford & Mazza in New York. One check was in the amount of \$9,375 and was made payable to Seneca Insurance Company. The other two checks were made payable to Dowd, Sanford & Mazza, Inc., in the amounts of \$93,680 and \$241,475.

3. On or about January 6, 2003, defendants LEBLANC and BAGLEY caused a Borough of Norristown check in the amount of \$150,000 and made payable to Clarendon Insurance Company to be sent by United States mail from Beacon Insurance Services, King of Prussia, Pennsylvania, to Arrowhead General Insurance Company, Richmond, Virginia.

4. On or about January 6, 2003, defendants LEBLANC and BAGLEY caused a Borough of Norristown check in the amount of \$84,987 and made payable to S.W.I.F. to be sent by Federal Express from Norristown, Pennsylvania, to S.W.I.F. in Scranton, Pennsylvania

5. On or about January 7, 2003, defendant BAGLEY deposited to the DSM Commerce Bank account a \$40,000 Borough of Norristown check made payable to DSM in payment of BAGLEY's yearly consulting fee.

6. On or about January 30, 2003 defendant BAGLEY deposited to his personal savings account at Commerce Bank a commission check dated 1/22/03 drawn from the bank account of the New York office of DSM, and made payable to Herb Bagley in the amount of \$12,676.32.

7. On or about February 5, 2003, defendant BAGLEY deposited to the DSM Commerce Bank account an insurance commission check from Beacon Insurance Services, LLC., in the amount of \$11,250 and made payable to DSM, Inc.

8. On or about February 11, 2003, defendant BAGLEY wrote a check from the DSM account in the amount of \$7,500, which BAGLEY made out to himself.

9. On or about February 11, 2003, defendant BAGLEY cashed the \$7,500 check and gave the cash to defendant LEBLANC.

10. In or about February 2003, defendant BAGLEY paid defendant LEBLANC a

total of \$10,000 in cash, part of which came from the cashed check described in Overt Act 9 above.

11. On or about February, 11, 2003, the same day he got cash from defendant BAGLEY, defendant LEBLANC deposited this cash into the TLB Corporation bank account at Commerce Bank. LEBLANC was the President of TLB Corporation.

12. To disguise the fact that he had received this money from defendant BAGLEY, defendant LEBLANC made the false notation "LeBlanc loan" on his own copy of the deposit slip for the transaction.

13. On or about April 1, 2003, defendants LEBLANC and BAGLEY caused a Borough of Norristown check in the amount of \$127,480 and made payable to S.W.I.F. to be sent by Federal Express from Norristown, Pennsylvania, to S.W.I.F. in Scranton, Pennsylvania.

14. On or about April 2, 2003, defendant BAGLEY deposited to the DSM Commerce Bank account a \$17,000 Borough of Norristown check made payable to DSM, Inc., in payment of BAGLEY's service fee for overseeing the worker's compensation policy.

15. On or about April 4, 2003, defendant BAGLEY deposited to the DSM Commerce Bank account an insurance commission check from Beacon Insurance Services, LLC., in the amount of \$16,875 and made payable to DSM, Inc.

16. On or about May 22, 2003, defendant BAGLEY deposited to the DSM Commerce Bank a second \$17,000 Borough of Norristown check made payable to DSM, Inc., in payment of BAGLEY's already-paid service fee for overseeing the worker's compensation policy.

17. On or about May 27, 2003, defendant BAGLEY deposited to the DSM Commerce Bank account an insurance commission check from Beacon Insurance Services, LLC., in the amount of \$16,875 and made payable to DSM, Inc.

18. On or about January 12, 2004, defendants LEBLANC and BAGLEY caused a Borough of Norristown check in the amount of \$69,949 and made payable to S.W.I.F. to be sent by Federal Express from Norristown, Pennsylvania, to S.W.I.F. in Scranton, Pennsylvania.

19. On or about January 12, 2004, defendants LEBLANC and BAGLEY caused a Borough of Norristown check in the amount of \$6,749 and made payable to Great Northern, and a Borough of Norristown check in the amount of \$116,755 and made payable to Clarendon Company to be sent by United States mail from Norristown, Pennsylvania, to Beacon Insurance Services, King of Prussia, Pennsylvania.

20. On or about January 12, 2004, defendant BAGLEY deposited to the DSM Commerce Bank a \$57,000 Borough of Norristown check made payable to DSM, Inc., in payment of BAGLEY's \$40,000 consulting fee and his \$17,000 service fee for overseeing the worker's compensation policy

21. On or about January 23, 2004, defendant BAGLEY deposited to the DSM Commere bank account a Borough of Norristown check dated 1/22/04 in the amount of \$338,255 and made payable to Dowd, Sanford, & Mazza, Inc. This check included a \$21,063 insurance commission to BAGLEY.

22. On or about January 23, 2004, defendants LEBLANC and BAGLEY caused a Borough of Norristown check in the amount of \$20,248 and made payable to Great Northern to be sent by United States mail from Norristown, Pennsylvania, to Beacon Insurance Services, King of Prussia, Pennsylvania.

23. On or about January 23, 2004, defendants LEBLANC and BAGLEY caused two Dowd, Sanford & Mazza checks in the amounts \$222,419 and \$84,973, and made payable to

James J. Joyce, Associates, Inc., to be sent by Federal Express from Norristown, Pennsylvania, to James J. Joyce, Associates, Inc., in Pittston, Pennsylvania.

24. On or about April 5, 2004, defendant BAGLEY deposited to the DSM Commerce Bank a \$17,000 Borough of Norristown check made payable to DSM, Inc., in payment of BAGLEY's already-paid service fee for overseeing the worker's compensation policy.

25. On or about April 15, 2004, defendant BAGLEY deposited to the DSM Commerce Bank account an insurance commission check from Beacon Insurance Services, LLC., in the amount of \$26,952.92 and made payable to DSM, Inc.

26. On or about May 28, 2004, defendants LEBLANC and BAGLEY caused Borough of Norristown checks in the amounts of \$68,433 and \$2,604 and made payable to S.W.I.F. to be sent by Federal Express from Norristown, Pennsylvania, to S.W.I.F. in Scranton, Pennsylvania.

27. On or about July 6, 2004, defendant BAGLEY deposited to the DSM Commerce Bank account an insurance commission check from Beacon Insurance Services, LLC., in the amount of \$26,952.92 and made payable to DSM, Inc.

All in violation of Title 18, United States Code, Section 371.

COUNTS TWO THROUGH SEVEN

**HONEST SERVICES MAIL FRAUD
18 U.S.C. §§ 1341, 1346, and 2**

1. Paragraphs 1 through 10 of Count One of this indictment are incorporated here.

THE SCHEME

2. From in or about December 2002, through in or about July 2004, defendants

**THEODORE H. LEBLANC
and
HERBERT H. BAGLEY**

devised and intended to devise a scheme to defraud the Borough of Norristown of the honest services of defendant LEBLANC, the Mayor of Norristown, and to obtain money and property by means of false and fraudulent pretenses, representations, and promises.

MANNER AND MEANS

It was part of the scheme that:

3. Paragraphs 12 through 17 of Count One of this indictment are incorporated here.

4. On or about the following dates, in the Eastern District of Pennsylvania and elsewhere, defendants

**THEODORE H. LEBLANC
and
HERBERT H. BAGLEY,**

for the purpose of executing the scheme described above, and attempting to do so, and aiding and abetting its execution, knowingly caused to be delivered by the United States mail or by a

commercial interstate carrier, according to directions thereon, and aided and abetted the delivery of, the items listed below, each use of the United States mail or a commercial interstate carrier being a separate count:

Count	Date	Description
2	4/01/03	A Borough of Norristown check in the amount of \$127,480 and made payable to S.W.I.F., sent by Federal Express from Norristown, Pennsylvania, to S.W.I.F. in Scranton, Pennsylvania.
3	1/12/04	A Borough of Norristown check in the amount of \$69,949 and made payable to S.W.I.F., sent by United States mail from Norristown, Pennsylvania, to S.W.I.F. in Scranton, Pennsylvania.
4	1/12/04	A Borough of Norristown check made payable to Great Northern in the amount of \$6,749, and a Borough of Norristown check made payable to Clarendon in the amount of \$116,755, sent by United States mail from Norristown, Pennsylvania, to Beacon Insurance Services in King of Prussia, Pennsylvania.
5	1/23/04	A Borough of Norristown check in the amount of \$20,248 and made payable to Great Northern, sent by United States mail from Norristown, Pennsylvania, to Beacon Insurance Services in King of Prussia, Pennsylvania.
6	1/23/04	Two Dowd, Sanford & Mazza checks in the amounts of \$222,419 and \$84,973, and made payable to James J. Joyce, Assoc., Inc., sent by Federal Express from Norristown, Pennsylvania, to James J. Joyce, Assoc., Inc. in Pittston, Pennsylvania.
7	5/28/04	Borough of Norristown checks in the amount of \$68,433 and \$2,604 and made payable to S.W.I.F., sent by Federal Express from Norristown, Pennsylvania, to S.W.I.F. in Scranton, Pennsylvania.

All in violation of Title 18, United States Code, Sections 1341, 1346, and 2.

COUNT EIGHT

**SOLICITATION OF A BRIBE IN PROGRAM RECEIVING FEDERAL FUNDS
18 U.S.C. §§ 666(a)(1)(B) and (b)**

1. Paragraphs 1 through 10 and 12 through 17 of Count One of this indictment are incorporated here.

2. The United States Department of Housing and Urban Development (HUD) was a department of the federal government which awarded federal assistance in the form of Community Development Block Grants to state and local governments.

3. The Borough of Norristown was a local government which received Community Development Block Grants from HUD during the following one year periods in the following approximate amounts:

January 1, 2002 - December 31, 2002 - \$1,182,000
January 1, 2003 - December 31, 2003 - \$1,253,000
January 1, 2004 - December 31, 2004 - \$1,231,000

4. During calendar years 2003 and 2004, defendant THEODORE H. LEBLANC was the Mayor of the Borough of Norristown and as such was its agent.

5. In or about February 2003, in Norristown, in the Eastern District of Pennsylvania and elsewhere, defendant

THEODORE H. LEBLANC

corruptly solicited and demanded for his own benefit anything of value, that is, a \$10,000 payment from HERBERT H. BAGLEY, charged elsewhere in this indictment, intending to be influenced and rewarded in connection with any business, transaction, or series of transactions of the Borough of Norristown involving anything of value of \$5,000 or more, that is, his decision to

retain BAGLEY as the insurance broker for the Borough of Norristown, for which BAGLEY received from the Borough approximately \$200,000 in fees and insurance commissions each year.

In violation of Title 18, United States Code, Sections 666(a)(1)(B) and (b).

COUNT NINE

BRIBERY IN PROGRAM RECEIVING FEDERAL FUNDS

18 U.S.C. §§ 666(a)(2) and (b)

1. Paragraphs 1 through 10 and 12 through 17 of Count One, and paragraphs 2 through 4 of Count Eight of this indictment are incorporated here.

2. In or about February 2003, in Norristown, in the Eastern District of Pennsylvania and elsewhere, defendant

HERBERT H. BAGLEY

corruptly gave, offered, and agreed to give anything of value, that is, a \$10,000 cash payment to THEODORE H. LEBLANC, charged elsewhere in this indictment, with the intent to influence and reward LEBLANC, as Mayor of the Borough of Norristown, in connection with any business, transaction, or series of transactions of the Borough of Norristown involving something of value of \$5,000 or more, that is, LEBLANC's decision to retain defendant BAGLEY as the insurance broker for the Borough of Norristown, for which BAGLEY received from the Borough approximately \$200,000 in fees and insurance commissions each year.

In violation of Title 18, United States Code, Sections 666(a)(2) and (b).

COUNTS TEN THROUGH TWELVE

**MAIL FRAUD
18 U.S.C. § 1341**

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 through 10 and 12 through 17 of Count One are incorporated here.

THE SCHEME

2. From in or about December 2002, through in or about September 2004, defendant

HERBERT H. BAGLEY

devised and intended to devise a scheme to defraud the Borough of Norristown and to obtain money and property by means of false and fraudulent pretenses, representations, and promises

MANNER AND MEANS

It was part of the scheme that:

3. From in or about December 2002, through in or about September 2004, defendant HERBERT H. BAGLEY schemed to double-bill the Borough of Norristown for service fees to oversee the Borough's worker's compensation policy, thereby stealing approximately \$34,000 in Borough funds, and collected approximately \$23,921 in surplus lines taxes from the Borough which he kept for himself or paid to another individual. Defendant BAGLEY also provided the Borough with a fraudulent invoice and a fraudulent payment schedule to conceal his request for payment of \$57,000 in consulting and service fees under the guise of insurance premium payments. Part of BAGLEY's scheme to fraudulently obtain the

Borough's money and property involved the use of the United States mails and other interstate delivery services.

4. On or about December 12, 2002, defendant BAGLEY supplied the Borough with a quotation of property and casualty insurance costs for calendar year 2003. The document included a \$17,000 service fee to DSM for overseeing the operation of the borough's worker's compensation insurance policy with S.W.I.F., the State Worker's Insurance Fund. The document also quoted the Borough for Pennsylvania state surplus lines tax charges of \$2,722 for the public officials liability policy, and \$7,033 for the police professional liability policy. The Borough was exempt from the payment of surplus lines taxes.

5. On or about January 6, 2003, defendant BAGLEY received three Borough checks dated 1/06/03. Two of the checks were made payable to Dowd, Sanford & Mazza, Inc., in the amount of \$93,680, the yearly cost of the public officials liability policy, and in the amount of \$241,475, the yearly cost of the police professional liability policy. These amounts included the premiums due, the commissions to be paid, a policy fee on the public officials policy, and the Pennsylvania state surplus lines taxes for which BAGLEY charged the Borough.

6. On or about January 6, 2003, defendant BAGLEY caused these three checks to be sent to Dowd, Sanford, & Mazza, 5 Hanover Square, New York, New York. With these checks, BAGLEY sent a handwritten note identifying the premium due for the public officials and police professional (law enforcement) policies, the commission earned on each policy, and the amount of the taxes due on each, that is, \$2,722 for the public officials liability policy, and \$7,033 for the law enforcement liability policy. On the note, BAGLEY wrote that the taxes were for "(DSM TO KEEP)." Dowd, Sanford, & Mazza, Inc. deposited the checks to their

New York bank account, and unlawfully retained the surplus lines tax payments.

7. On or about March 24, 2003, defendant BAGLEY provided the Borough with an invoice dated 4/01/03 which requested payment of the \$17,000 service fee for overseeing the operation of the worker's compensation policy.

8. On or about April 2, 2003, defendant BAGLEY deposited to the DSM Commerce Bank account a \$17,000 Borough check dated 4/01/03 and made payable to Dowd, Sanford & Mazza, Inc., in payment of his service fee.

9. Despite the fact that he had already received his service fee, defendant BAGLEY subsequently provided the Borough with an invoice dated 6/01/03 which requested the payment of an additional \$17,000 service fee for overseeing the operation of the worker's compensation policy.

10. On or about May 22, 2003, defendant BAGLEY deposited to the DSM Commerce Bank account a second \$17,000 Borough of Norristown check, dated 5/20/03 and made payable to Dowd, Sanford & Mazza, Inc., in payment of his already-paid service fee.

11. On or about December 12, 2003, defendant BAGLEY supplied the Borough with a quotation of property and casualty insurance costs for calendar year 2004. The document included a \$17,000 service fee to DSM for overseeing the operation of the Borough's worker's compensation insurance policy with S.W.I.F., and included a \$40,000 yearly consulting fee to DSM. The document also quoted the Borough for state surplus lines tax charges of \$2,747 for the public officials liability policy, and \$7,098 for the police professional liability policy. The Borough was exempt from the payment of surplus lines taxes.

12. On or about December 12, 2003, defendant BAGLEY also provided the

Borough with an invoice dated that day which requested payment of the \$40,000 consulting fee. The invoice also requested payment of a total of \$338,255 for the yearly costs of the public officials and police professional policies. This amount included the premiums due on the policies, the commissions to be paid, a policy fee on the public officials policy, and the Pennsylvania state surplus lines taxes for which BAGLEY charged the Borough.

13. On or about December 18, 2003, defendant BAGLEY provided the Borough with an invoice dated 1/1/04 which requested payment of, among other charges, the full yearly premium on the public officials and police professional policies. The total payment requested on these two policies, \$395,255, was falsely inflated by \$57,000 above the figures provided to the Borough in the December 2003 quotation of property and casualty costs.

14. On or about December 18, 2003, the same day he supplied the false invoice described above, defendant BAGLEY caused to be prepared a second quotation of property and casualty insurance costs for 2004. This document was signed and approved by the Borough Administrator on or about December 18, 2003. This fraudulent document concealed BAGLEY's \$17,000 service fee for overseeing the operation of the worker's compensation insurance policy within the premium payment due for the public officials policy. The document also concealed BAGLEY's \$40,000 yearly consulting fee within the premium due on the police professional policy. This invoice was seized from BAGLEY's offices on April 29, 2004 by law enforcement authorities.

15. On approximately January 6, 2004, DSM received invoices from James J. Joyce, Associates, Inc., the surplus lines agent for the 2004 Norristown public officials and police professional liability policies, which identified the premium payments, the applicable

commissions, the \$250 policy fee, and stamping fees to be paid on the policies. The invoices did not include surplus lines taxes to be collected from the Borough of Norristown .

16. On or about January 24, 2004, defendant BAGLEY supplied the borough with a document entitled "Payment Schedule of Annual Premiums 2004," which document specified a timetable by which the Borough should make payments on insurance premiums. This document requested a \$57,000 payment titled "DSM: Deposit." When questioned about the DSM deposit, BAGLEY falsely informed a member of the Borough Finance Department that the payment was part of the premium for the police liability and public officials insurance policies. In fact, the \$57,000 payment request represented BAGLEY's \$17,000 service fee for overseeing the operation of the worker's compensation insurance policy, and his \$40,000 yearly consulting fee. The January 24, 2004, payment schedule supplied to the Borough also requested payment of \$338,255, the total yearly premiums on the public officials and law enforcement policies. This figure included the policy premiums, the commissions due to DSM, a \$250 policy fee on the public officials policy, and, despite BAGLEY's knowledge that no surplus lines taxes were due, a total of \$9,845 in surplus lines taxes.

17. On or about January 12, 2004, defendant BAGLEY deposited to the DSM Commerce Bank account a Borough of Norristown check dated 1/12/04 and made payable to Dowd, Sanford & Mazza, Inc. in the amount of \$57,000. This payment satisfied BAGLEY's \$17,000 service fee and \$40,000 consulting fee.

18. On or about January 23, 2004, defendant BAGLEY deposited to the DSM Commere bank account a Borough of Norristown check dated 1/22/04 in the amount of \$338,255 and made payable to Dowd, Sanford, & Mazza, Inc. This payment satisfied the yearly costs for

the public officials and law enforcement insurance policies.

19. On or about January 23, 2004, defendant BAGLEY caused to be sent to James J. Joyce Associates, Inc., Pittston, Pennsylvania, DSM checks dated 1/23/04 and made payable to James J. Joyce Associates in the amounts of \$222,419 and \$84,973 to pay the yearly premiums due on the public officials and law enforcement liability policies. From the funds he received from the Borough to pay these policies, defendant BAGLEY retained his commissions on the two policies, approximately \$21,063, and unlawfully retained the \$9,845 collected from the Borough to pay the surplus lines taxes on the two policies.

20. Despite the fact that he had already received his service fee under fraudulent circumstances, defendant BAGLEY subsequently provided the Borough with an invoice dated 3/16/04 and containing the notation "DUE 4/1/04," which requested payment of, among other charges, an additional \$17,000 service fee for overseeing the operation of the worker's compensation policy.

21. On or about April 5, 2004, defendant BAGLEY deposited to the DSM Commerce Bank account a second Borough of Norristown check, dated 4/20/04 in the amount of \$17,000 and made payable to Dowd, Sanford & Mazza, Inc., in payment of his already-paid service fee.

22. On or about August 31, 2004, All Risks, Ltd., a licensed surplus lines agent, notified DSM that surplus lines taxes in the amount of \$4,306.53 collected from the Borough by defendant BAGLEY in approximately January 2002, were incorrectly paid to the Commonwealth of Pennsylvania and were to be credited to DSM's account with All Risks. On or about September 2, 2004, BAGLEY caused All Risks to send a refund check dated September

7, 2004, in the amount of \$4,321.56 to DSM.

23. Despite the fact that the funds were not DSM's, and despite the fact that he was no longer the Borough insurance broker, defendant BAGLEY on or about September 10, 2004, unlawfully deposited the All Risks refunds check to the DSM bank account at Commerce Bank.

24. On or about May 12, 2005, after he had been informed he was the target of a federal investigation, and after he had learned that his employees had been questioned by federal authorities concerning his collection of surplus lines taxes from the Borough, defendant BAGLEY provided the Borough with a check in the amount of \$14,076.53, representing a refund of the surplus lines taxes received from All Risks in September 2004, and the surplus lines taxes collected by BAGLEY and sent to DSM in New York in January 2003.

25. From in or about December 2002, through in or about September 2004, in the Eastern District of Pennsylvania, and elsewhere, defendant

HERBERT H. BAGLEY,

having devised a scheme to defraud the Borough of Norristown, and to obtain money and property by means of false and fraudulent pretenses, representations, and promises, for the purpose of executing the scheme to defraud, and attempting to do so, knowingly caused to be delivered by the United States mail or by a commercial interstate carrier, according to directions thereon, the items listed below, each use of the United States mail or a commercial interstate

carrier being a separate count:

Count	Date	Description
10	1/6/03	A letter and three Borough of Norristown checks sent by Federal Express from Norristown, Pennsylvania to Dowd, Sanford & Mazza in New York. These included a check dated in the amount of \$9,375 made payable to Seneca Insurance Company, and checks in the amounts of \$93,680 and \$241,475 made payable to Dowd, Sanford & Mazza, 5 Hanover Square, New York, New York.
11	1/23/04	Two Dowd, Sanford & Mazza checks, in the amounts of \$222,419 and \$84,973 and made payable to James J. Joyce, Associates, Inc., sent by Federal Express from Norristown, Pennsylvania, to James J. Joyce, Associates, Inc., Pittston, Pennsylvania.
12	9/7/04	\$4,321.53 in the form of a refund check dated September 7, 2004, from All Risks, Ltd. and made payable to Dowd, Sanford & Mazza, Inc., sent by United States mail from Hunt Valley, Maryland, to Norristown, Pennsylvania.

All in violation of Title 18, United States Code, Section 1341.

COUNT THIRTEEN

BANK FRAUD
18 U.S.C. § 1344

THE GRAND JURY FURTHER CHARGES THAT:

At all times material to this indictment:

1. Commerce Bank/Pennsylvania, N.A. (“Commerce Bank”) was a financial institution, the deposits of which were insured by the Federal Deposit Insurance Corporation, certificate no. 25293-0.

2. From on or about September 9, 2002, through on or about April 15, 2003, in the Eastern District of Pennsylvania, and elsewhere, defendant

THEODORE H. LEBLANC

knowingly executed, and attempted to execute, a scheme to defraud Commerce Bank and to obtain monies owned by and under the care, custody, and control of that bank by means of false and fraudulent pretenses, representations, and promises.

THE SCHEME

3. Defendant LEBLANC took out loans with Commerce Bank to renovate Morley’s Pub, 36 East Main Street, Norristown. During the application process, LEBLANC failed to inform Commerce Bank of an outstanding \$50,000 debt. LEBLANC also sought to sell a property he owned at 417 - 419 West Marshal Street, Norristown that Commerce Bank had secured as collateral for the Morley’s renovation loan described above. To have Commerce Bank release the collateral for the sale, LEBLANC promised to pay to Commerce Bank the net proceeds. LEBLANC then failed to inform Commerce Bank that he received \$10,000 in cash

from the sale proceeds and that he caused the buyers of the West Marshal Street property to assume his outstanding \$50,000 debt. In doing so, LEBLANC defrauded Commerce Bank of knowing LEBLANC's true financial status and of having the opportunity to receive additional sale proceeds.

4. On or about November 14, 2000, defendant LEBLANC obtained a loan from Commerce Bank in the amount of \$150,000 to purchase a property at 36 East Main Street, Norristown, Pennsylvania.

5. On or about September 21, 2001, defendant LEBLANC obtained a personal loan in the amount of \$50,000 from J.C., a person known to the grand jury. The loan was interest-free, and by its terms, was to be paid in full in sixty to ninety days. LEBLANC failed to repay the loan within the prescribed payment period.

6. On or about September 9, 2002, defendant LEBLANC obtained a second loan in the amount of \$457,000 from Commerce Bank. To obtain the second loan, defendant LEBLANC was required to complete a "Borrower's Certification." In that document, LEBLANC certified that "there has been no adverse change in Borrower's (and Operating Company) financial condition . . . since the date the Loan application was signed."

7. Contrary to defendant LEBLANC's certification, there had been an adverse change in his financial position since the loan application was signed, that is, the outstanding and past due \$50,000 debt he owed to J.C. LEBLANC failed to inform Commerce Bank of this adverse change to his financial position.

8. As security for the September 9, 2002, loan, Commerce Bank took, among other security interests, a third mortgage on 417 - 419 West Marshall Street, a property owned by

defendant LEBLANC. Commerce Bank was aware that LEBLANC intended to sell this property.

9. On or about December 30, 2002, an agreement of sale was executed concerning the 417 - 419 West Marshall Street property. Pursuant to this agreement, defendant LEBLANC was to sell the property to M.J., a person known to the grand jury, for \$225,000. An addendum to the agreement of sale, also executed on December 30, 2002, made the transaction contingent upon Commerce Bank removing the lien on the property in a manner that was agreeable to LEBLANC. Commerce Bank agreed to remove the lien on the property in return for LEBLANC's promise that the bank would receive the net proceeds from the sale of the property remaining after first and second mortgages to Progress Bank were paid.

10. On or about April 1, 2003, defendant LEBLANC and M.J. executed another addendum to the December 30, 2002, agreement of sale. Pursuant to the April 1, 2003 addendum, M.J. was to pay a \$10,000 deposit towards the purchase of 417- 419 West Marshall Street. LEBLANC did not disclose this addendum to Commerce Bank.

11. On or about April 1, 2003, M.J. provided a brown paper bag containing \$10,000 in cash to the real estate broker, S.G., a person known to the grand jury, as a deposit on the 417 - 419 West Marshall Street property. S.G. provided the brown paper bag containing the \$10,000 cash to defendant LEBLANC on the same date. LEBLANC, who signed a receipt for this cash, did not disclose the payment to Commerce Bank.

12. On or about April 15, 2003, the closing for the 417 - 419 West Marshall Street property sale was held in a conference room at Madison Bank in Blue Bell, Pennsylvania. As a result of the closing, Commerce Bank received approximately \$107,960.96 in proceeds

from the sale of the property owned by defendant LEBLANC.

13. During the real estate closing, additional negotiations were conducted between J.C., M.J., and LEBLANC, and others both known and unknown to the grand jury, regarding the outstanding \$50,000 debt that LEBLANC owed to J.C. In connection with the sales transaction, M.J. and R.T., a person known to the grand jury, agreed to assume LEBLANC's undisclosed and past due \$50,000 debt to J.C. LEBLANC did not inform Commerce Bank of these negotiations.

14. As the result of the sale of the 417 - 419 West Marshall Street property, defendant LEBLANC obtained \$10,000 in cash, and had a \$50,000 debt paid for him. LEBLANC failed to inform Commerce Bank of either of these events, thereby defrauding the bank of the opportunity of collecting additional proceeds from the sale of 417 - 419 West Marshal Street in return for the release of their lien on the property.

In violation of Title 18, United States Code, Section 1344.

COUNT FOURTEEN

FILING A FALSE TAX RETURN
26 U.S.C. § 7206(1)

THE GRAND JURY FURTHER CHARGES THAT:

On or about April 15, 2004, in the Eastern District of Pennsylvania, defendant

THEODORE H. LEBLANC

willfully made and subscribed a United States income tax return, Form 1040, for the calendar year 2003, which was verified by a written declaration that it was made under the penalty of perjury and filed with the Director, Internal Revenue Service Center, at Philadelphia, Pennsylvania, which defendant LEBLANC did not believe to be true and correct as to every material matter, in that the return reported adjusted gross income of \$64,189, when in fact, as LEBLANC well knew, he had received additional taxable income which included, but was not limited to, a \$10,000 cash payment from HERBERT BAGLEY.

In violation of Title 26, United States Code, Section 7206(1)

COUNT FIFTEEN

FILING A FALSE TAX RETURN
26 U.S.C. § 7206(1)

THE GRAND JURY FURTHER CHARGES THAT:

On or about August 16, 2004, in the Eastern District of Pennsylvania, defendant

THEODORE H. LEBLANC

willfully made and subscribed a United States income tax return, Form 1120, for the calendar year 2003, which was verified by a written declaration that it was made under the penalty of perjury and filed with the Director, Internal Revenue Service Center, at Philadelphia, Pennsylvania, which defendant LEBLANC did not believe to be true and correct as to every material matter including, but not limited to, the fact that he had not accurately reported \$10,000 cash proceeds of the sale of Walter's Tavern, 417 - 419 West Marshall Street, Norristown, Pennsylvania, and thus did not accurately report the proper capital gain net income on the return.

In violation of Title 26, United States Code, Section 7206(1) _____

COUNT SIXTEEN

FILING A FALSE TAX RETURN
26 U.S.C. § 7206(1)

THE GRAND JURY FURTHER CHARGES THAT:

On or about April 15, 2002, in the Eastern District of Pennsylvania, defendant

HERBERT H. BAGLEY

willfully made and subscribed a United States income tax return, Form 1040, for the calendar year 2001, which was verified by a written declaration that it was made under the penalty of perjury and filed with the Director, Internal Revenue Service Center, at Philadelphia, Pennsylvania, which defendant BAGLEY did not believe to be true and correct as to every material matter, in that the return reported adjusted gross income of \$52,697, when in fact, as BAGLEY well knew, he had received additional taxable income of approximately \$138,000, and had falsely exaggerated his business expenses by approximately \$32,687 on the return.

In violation of Title 26, United States Code, Section 7206(1).

COUNT SEVENTEEN

FILING A FALSE TAX RETURN

26 U.S.C. § 7206(1)

THE GRAND JURY FURTHER CHARGES THAT:

On or about April 15, 2003, in the Eastern District of Pennsylvania, defendant

HERBERT H. BAGLEY

willfully made and subscribed a United States income tax return, Form 1040, for the calendar year 2002, which was verified by a written declaration that it was made under the penalty of perjury and filed with the Director, Internal Revenue Service Center, at Philadelphia, Pennsylvania, which defendant BAGLEY did not believe to be true and correct as to every material matter, in that the return reported adjusted gross income of \$99,399, when in fact, as BAGLEY well knew, he had received additional taxable income of approximately \$101,000, and had falsely exaggerated his business expenses by approximately \$53,958 on the return.

In violation of Title 26, United States Code, Section 7206(1)._____

_____**A TRUE BILL:**

_____**GRAND JURY FOREPERSON**

PATRICK L. MEEHAN
United States Attorney